COSCO Pacific Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 1199)

ANNOUNCEMENT OF 2005 INTERIM RESULTS

RESULTS HIGHLIGHTS

- **Turnover increased by 9.4% to US$141,898,000**
- **Interim dividend of HK28.1 cents (same period of 2004: HK17.4 cents) per share and special interim dividend of HK11.3 cents (same period of 2004: Nil) per share were declared**
- **Profit attributable to the equity holders of the Company rose by 130.6% to US$214,770,000**
- **Dividend payout was 51.7% (same period of 2004: 51.6%)**
- **Earnings per share grew by 126.7% to US9.8111 cents**
- **Container leasing fleet increased by 18.9% to 1,027,954 TEUs, average utilisation rate increased to 96.4% (same period of 2004: 96.0%)**
- **Total throughput in container terminal operation increased by 17.5% to 12,129,340 TEUs**
- **Investments in 19 terminals with an aggregate of 81 berths**

RESULTS

The board of directors (the "Directors") of COSCO Pacific Limited (the "Company" or "COSCO Pacific") is pleased to present the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2005. The unaudited interim results have been reviewed by the Company's Audit Committee.

The Group's unaudited condensed consolidated income statement, condensed consolidated balance sheet and explanatory notes 1 to 9 as presented below are extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30th June 2005 (the "unaudited Condensed Financial Statements") which have been reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), except that the scope of their review did not extend to the Group's share of net assets and results of China International Marine Containers (Group) Co., Ltd. and Liu Chong Hing Bank Limited, both were listed associates of the Group. Accordingly, their independent review report was modified in this respect.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

	Note	Six months ended 30th June **2005** *US$'000*	2004 *US$'000* *(Restated)*
Turnover	*3*	**141,898**	129,761
Cost of sales		**(58,937)**	(56,471)
Gross profit		**82,961**	73,290
Other revenues		**23,177**	26,074
Administrative expenses		**(15,131)**	(14,007)
Other operating expenses (net)		**(10,456)**	(18,672)
Profit on disposal of an available-for-sale financial asset	*4*	**61,875**	–
Operating profit	*5*	**142,426**	66,685
Finance costs	*6*	**(11,213)**	(9,970)
Operating profit after finance costs		**131,213**	56,715
Share of profits less losses of			
– jointly controlled entities		**42,177**	31,423
– associates		**53,300**	12,508
Profit before income tax		**226,690**	100,646
Income tax expenses	*7*	**(10,457)**	(6,316)
Profit for the period		**216,233**	94,330
Profit attributable to:			
Equity holders of the Company		**214,770**	93,152
Minority interests		**1,463**	1,178
		216,233	94,330
Dividends			
– interim	*8*	**79,253**	48,090
– special interim	*8*	**31,871**	–
		111,124	48,090
Earnings per share for profit attributable to the equity holders of the Company			
– basic	*9*	**US9.8111 cents**	US4.3272 cents
– diluted	*9*	**US9.7336 cents**	US4.3104 cents

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2005

	As at 30th June 2005 US$'000	As at 31st December 2004 US$'000 (Restated)
ASSETS		
Non-current assets		
Property, plant and equipment	**1,426,827**	1,219,064
Investment properties	**882**	882
Leasehold land and land use rights	**16,624**	16,696
Intangible assets	**3,823**	3,752
Jointly controlled entities	**382,667**	357,583
Associates	**453,287**	395,012
Deferred income tax assets	**245**	248
Available-for-sale financial assets	**225,501**	–
Investment securities	**–**	69,500
Finance lease receivables	**4,244**	4,654
Derivative financial instruments	**6,328**	–
Restricted bank deposits	**11,112**	11,297
	2,531,540	2,078,688
Current assets		
Inventories	**2,242**	1,637
Trade and other receivables	**82,403**	73,423
Tax prepaid	**43**	43
Time deposits	**93,250**	43,136
Bank balances and cash	**28,299**	46,145
	206,237	164,384
Current liabilities		
Trade and other payables	**171,512**	51,414
Current income tax liabilities	**938**	834
Current portion of long term liabilities	**59,353**	35,520
Short term bank loans	**2,658**	2,658
	234,461	90,426
Net current (liabilities)/assets	**(28,224)**	73,958
Total assets less current liabilities	**2,503,316**	2,152,646

	As at 30th June 2005 US$'000	As at 31st December 2004 US$'000 (Restated)
Non-current liabilities		
Deferred income tax liabilities	**61,590**	51,873
Derivative financial instruments	**349**	–
Long term liabilities	**593,149**	615,145
	655,088	667,018
Net assets	**1,848,228**	1,485,628
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Share capital	**28,121**	28,003
Other reserves	**1,700,059**	1,379,073
Proposed final dividend	**–**	69,111
Interim dividends declared	**111,124**	–
	1,839,304	1,476,187
Minority interests	**8,924**	9,441
Total equity	**1,848,228**	1,485,628

NOTES

1. Basis of preparation and principal accounting policies

The unaudited Condensed Financial Statements are prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA. The principal accounting policies and methods used in the preparation of the unaudited Condensed Financial Statements are the same as those used in the Group's 2004 annual financial statements except that the Group has changed certain of its accounting policies following the adoption of the new/revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") which became effective for accounting periods beginning on or after 1st January 2005. Details of the major changes in principal accounting policies and their impact on the Group's results and financial position can be found in note 2 to the unaudited Condensed Financial Statements and a summary of which are set out in note 2 below.

2. Effect of changes in principal accounting policies

	Note	Total equity as at 1st January 2005	Profits for the period ended 30th June 2004
		US$'000	*US$'000*
As previously reported			
– as shareholders' funds		1,472,807	–
– minority interests	*(a)*	9,441	–
– profit after taxation		–	94,153
		1,482,248	94,153
Prior period adjustment in respect of a change in an accounting policy on leasehold land	*(b)*	3,380	177
Opening adjustments for the adoption of HKFRS 3, HKASs 32 and 39 in respect of:			
– Redesignation of investment securities as available-for-sale financial assets	*(c)(i)*	234,311	–
– Recognition of interest rate swap contracts as derivative financial instruments	*(c)(ii)*	1,619	–
– Recognition of unamortised transaction costs on bank borrowings and notes	*(c)(iii)*	5,852	–
– Derecognition of negative goodwill	*(d)*	19,886	–
Share of opening adjustments of jointly controlled entities/ associates in respect of their adoption of HKFRS 3, HKASs 32 and 39:			
– Reversal of general provision for trade receivables made in prior years by an associate		3,022	–
– Redesignation of investments as available-for-sale financial assets at fair values by an associate		1,814	–
– Recognition of a financial liability at amortised cost by a jointly controlled entity		732	–
– Derecognition of negative goodwill by an associate		350	–
		270,966	177
As restated		1,753,214	94,330

Notes:

(a) In prior years, minority interests at balance sheet date were presented separately in the consolidated balance sheet. With the adoption of HKAS 1 "Presentation of Financial Statements" and HKAS 27 "Consolidated and Separate Financial Statements", minority interests at the balance sheet date are presented within the Group's equity, separately from the capital and reserves attributable to the equity holders of the Company.

(b) HKAS 17 "Leases"

The adoption of revised HKAS 17 has resulted in a change in an accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land and land use rights were accounted for at cost or at valuation as at 31st December 1994 less accumulated amortisation and impairment losses.

This change in accounting policy has been applied retrospectively so that the comparative figures presented have been restated to conform with the changed policy. The effect on the adoption of the HKAS 17 is to increase the opening equity as at 1st January 2005 and 2004 by US$3,380,000 and US$3,026,000 respectively and to increase the profit for the six months ended 30th June 2004 by US$177,000.

(c) HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement"

The adoption of HKASs 32 and 39 has resulted in changes in the accounting policies relating to the following:

(i) the redesignation of investment securities, which were previously stated at costs less provision for impairment losses, as available-for-sale financial assets which are carried in the balance sheet at their fair values. The amount, being the difference between the fair values of these available-for-sale financial assets and their previous carrying amounts, of US$234,311,000 as at 31st December 2004 was credited to the Group's opening equity as at 1st January 2005;

(ii) the recognition of interest rate swap contracts as derivative financial instruments in the balance sheet at their respective fair values. In prior years, derivative financial instrument are not required to be recognised in the balance sheet pursuant to the Statements of Standard Accounting Practice issued by the HKICPA. The recognition of interest rate swap contracts at their fair values as at 31st December 2004 resulted in a net increase in the Group's opening equity as at 1st January 2005 by US$1,619,000; and

(iii) the recognition of borrowings and notes initially at their fair values, net of transaction costs incurred, and then subsequently stated at amortised costs. The unamortised transaction costs of US$5,852,000 as at 31st December 2004, which were previously expensed as incurred, were included in the related borrowings or notes by a corresponding credit adjustment to the Group's opening equity as at 1st January 2005.

As HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities on a retrospective basis, all the related financial impact on the Group's financial statements are reflected as opening adjustments to the Group's equity as at 1st January 2005 and accordingly, the comparative figures as presented in the unaudited condensed consolidated balance sheet have not been restated.

(d) HKFRS 3 "Business Combinations"

The adoption of HKFRS 3 has resulted in a change in the accounting policy for goodwill and negative goodwill. Negative goodwill from the acquisition of an associate of US$19,886,000 as at 31st December 2004 is derecognised, not on a retrospective basis, and credited to the Group's opening equity as at 1st January 2005.

3. Segment information

(a) Primary reporting format – business segments

Segment turnover and results

Six months ended 30th June 2005

	Container leasing and related businesses *US$'000*	**Container terminal and related businesses** *US$'000*	**Freight forwarding, logistics and related businesses** *US$'000*	**Container manufacturing and related businesses** *US$'000*	**Banking businesses** *US$'000*	**Corporate and other businesses** *US$'000*	**Total** *US$'000*
Turnover							
– total revenues	**132,380**	**9,520**	–	–	–	–	**141,900**
– inter-segment sales	–	**(2)**	–	–	–	–	**(2)**
External sales	**132,380**	**9,518**	–	–	–	–	**141,898**
Segment results	**63,316**	**2,581**	**(1,782)**	**(767)**	–	–	**63,348**
Dividend income							
– unlisted investments	–	**8,177**	–	–	–	–	**8,177**
– a listed investment	–	–	–	–	–	**768**	**768**
Profit on disposal of an available-for-sale financial asset	–	**61,875**	–	–	–	–	**61,875**
Unallocated costs							
– net corporate expenses	–	–	–	–	–	**(3,993)**	**(3,993)**
– corporate finance costs	–	–	–	–	–	**(132)**	**(132)**
– corporate interest income	–	–	–	–	–	**1,170**	**1,170**
Operating profit/(loss) after finance costs	**63,316**	**72,633**	**(1,782)**	**(767)**	–	**(2,187)**	**131,213**
Share of profits less losses of							
– jointly controlled entities	–	**27,307**	**7,628**	**7,242**	–	–	**42,177**
– associates	–	**8,171**	–	**40,236**	**4,893**	–	**53,300**
Profit before income tax							**226,690**
Income tax expenses							**(10,457)**
Profit for the period							**216,233**

Six months ended 30th June 2004 (Restated)

	Container leasing and related businesses *US$'000*	**Container terminal and related businesses** *US$'000*	**Freight forwarding, logistics and related businesses** *US$'000*	**Container manufacturing and related businesses** *US$'000*	**Banking businesses** *US$'000*	**Corporate and other businesses** *US$'000*	**Total** *US$'000*
Turnover							
– total revenues	120,879	8,885	–	–	–	–	129,764
– inter-segment sales	–	(3)	–	–	–	–	(3)
External sales	120,879	8,882	–	–	–	–	129,761
Segment results	53,106	1,718	(2,669)	–	–	–	52,155
Dividend income from unlisted investments	–	7,859	–	–	–	–	7,859
Unallocated costs							
– net corporate expenses	–	–	–	–	–	(3,450)	(3,450)
– corporate finance costs	–	–	–	–	–	(255)	(255)
– corporate interest income	–	–	–	–	–	406	406
Operating profit/(loss) after finance costs	53,106	9,577	(2,669)	–	–	(3,299)	56,715
Share of profits less losses of							
– jointly controlled entities	–	23,676	6,236	1,511	–	–	31,423
– associates	–	8,264	–	–	4,244	–	12,508
Profit before income tax							100,646
Income tax expenses							(6,316)
Profit for the period							94,330

(b) Secondary reporting format – geographical segments

In respect of container leasing and related businesses, the movements of containers and generator sets under operating leases or finance leases are known through report from the lessees, but the Group is not able to control the movements of containers and generator sets except to the degree that the movements are restricted by the terms of the leases or where safety of the containers and generator sets is concerned. It is therefore impracticable to present segment turnover and results by geographical areas for the related business.

The Group's segment assets are primarily dominated by its containers and generator sets. The directors consider that the nature of the Group's business precludes a meaningful allocation of containers and generator sets and their related capital expenditure to specific geographical segments as defined under HKAS 14 "Segmental Reporting". These containers and generator sets are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is also impracticable to present segment assets and capital expenditure by geographical areas.

The activities of the container terminal and related businesses as conducted by certain subsidiaries of the Group are predominantly carried out in China mainland and Hong Kong.

The activities of the Group's jointly controlled entities and associates are predominantly carried out in the following geographical areas:

Business segments	Geographical areas
Container terminal and related businesses	Hong Kong, China mainland, Singapore and Belgium
Freight forwarding, logistics and related businesses	China mainland
Container manufacturing and related businesses	China mainland
Banking business	Hong Kong

4. Profit on disposal of an available-for-sale financial asset

The amount represented profit on disposal of the 17.5% equity interest in Shekou Container Terminals Ltd. ("Shekou Terminals") to China Merchants Holdings (International) Limited in March 2005.

5. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2005	2004
	US$'000	*US$'000*
		(Restated)
Crediting		
Sale of inventories	**12,148**	16,972
Dividend income from		
– unlisted investments	**8,177**	7,859
– a listed investment	**768**	–
Interest income	**2,058**	1,218
Profit on disposal of property, plant and equipment	**343**	609
Reversal of provision for bad and doubtful debts	**6**	25
Charging		
Depreciation and amortisation	**54,564**	49,663
Cost of inventories sold	**9,271**	17,678
Loss on disposal of property, plant and equipment	**8**	474
Provision for impairment of trade receivables	**153**	–
Provision for bad and doubtful debts	–	150
Provision for inventories	–	451
Write-off of inventories	–	285
Impairment loss of containers	–	211

6. Finance costs

	Six months ended 30th June	
	2005	2004
	US$'000	*US$'000*
Interest expense on		
– bank loans	**6,279**	2,576
– other loans	**184**	136
– loan from a minority shareholder of a subsidiary	–	28
– notes not wholly repayable within five years	**8,813**	8,813
Amortised amount of discount on issue of notes	**114**	120
Amortised amount of transaction costs on bank loans and notes	**593**	–
Net gain on interest rate swap contracts	–	(2,011)
Fair value gain on interest rate swap contracts	**(5,097)**	–
	10,886	9,662
Other incidental borrowing costs and charges	**327**	308
	11,213	9,970

7. Income tax expenses

	Six months ended 30th June	
	2005	2004
	US$'000	*US$'000*
Current income tax		
– Hong Kong profits tax	**51**	409
– China mainland taxation	**499**	397
– Overseas taxation	**192**	16
– (Over)/under provision in prior years	**(5)**	5
	737	827
Deferred income tax	**9,720**	5,489
	10,457	6,316

The Group's share of income tax expenses of jointly controlled entities and associates for the six months ended 30th June 2005 of US$7,421,000 (2004: US$6,448,000) and of US$5,095,000 (2004: US$1,789,000) are included in the unaudited condensed consolidated income statement as share of profits less losses of jointly controlled entities and associates respectively.

Hong Kong profits tax has been provided at a rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period.

Taxation on profits from a subsidiary operating in China mainland has been calculated at a tax rate of 15.0% (2004: 15.0%) on the estimated assessable profit for the period.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

8. Dividends

	Six months ended 30th June	
	2005	2004
	US$'000	*US$'000*
2005 interim dividend, declared, of US3.614 cents (2004: US2.231 cents) per ordinary share	**79,253**	48,090
2005 special interim dividend, declared, of US1.453 cents per ordinary share	**31,871**	–
	111,124	48,090

At a meeting held on 8th September 2005, the directors declared an interim dividend of HK28.1 cents (equivalent to US3.614 cents) per ordinary share and a special interim dividend of HK11.3 cents (equivalent to US1.453 cents) per ordinary share. These dividends declared are not reflected as dividend payable in the unaudited Condensed Financial Statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2005.

9. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30th June	
	2005	2004 (Restated)
Profit attributable to the equity holders of the Company	**US$214,770,000**	US$93,152,000
Weighted average number of ordinary shares in issue	**2,189,048,596**	2,152,708,155
Basic earnings per share	**US9.8111 cents**	US4.3272 cents
Basic earnings per share – excluding the profit on disposal of an available-for-sale financial asset *(for information only)*	**US6.9845 cents**	US4.3272 cents

Diluted

Diluted earnings per share is calculated based on the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the period, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding share options granted by the Company had been exercised.

	Six months ended 30th June	
	2005	2004 (Restated)
Profit attributable to the equity holders of the Company	**US$214,770,000**	US$93,152,000
Weighted average number of ordinary shares in issue	**2,189,048,596**	2,152,708,155
Adjustments for assumed conversion of share options	**17,426,155**	8,378,759
Weighted average number of ordinary shares for diluted earnings per share	**2,206,474,751**	2,161,086,914
Diluted earnings per share	**US9.7336 cents**	US4.3104 cents
Diluted earnings per share – excluding the profit on disposal of an available-for-sale financial asset *(for information only)*	**US6.9294 cents**	US4.3104 cents

DIVIDENDS

The directors have declared an interim cash dividend of HK28.1 cents (2004: HK17.4 cents) per share and a special interim cash dividend of HK11.3 cents (2004: Nil) per share for the six months ended 30th June 2005. The interim dividend and special interim dividend will be payable on 7th October 2005 to shareholders whose names appeared on the register of members of the Company on 29th September 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 26th September 2005 to Thursday, 29th September 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special interim dividend, all transfers, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrars, Secretaries Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Friday, 23rd September 2005.

BUSINESS REVIEW

Overall analysis of results

The past six months saw the global economy maintaining a stable and balanced growth. In the PRC, the implementation of the austerity measures by the PRC government, a GDP growth of 9.5% was achieved. The Group's focused efforts to develop the core business in recent years have paid off, resulting in a remarkable performance in the first half.

Profit attributable to the equity holders of the Company for the period rose to US$214,770,000 from US$93,152,000 a year ago. Earnings per share rose by 126.7% to US9.8111 cents from US4.3272 cents a year ago. In December 2004, the Group completed the acquisition of approximately 16.23% equity interest in China International Marine Containers (Group) Co., Ltd. ("CIMC"), which contributed US$40,236,000 to the Group's net profit for the period (same period of 2004: N/A). Further, the disposal of the Group's 17.5% equity interest in Shekou Terminals in March this year not only generated a profit of US$61,875,000, but also enable the Group to restructure the investment portfolio to capitalise on the strategic advantage of the Pearl River Delta terminal operations.

Financial analysis

Turnover for the first half of 2005 grew by 9.4% to US$141,898,000. Majority of the increase was gained from container leasing operation which recorded a turnover of US$132,380,000 or an increase of 9.5% from last year. Total container fleet rose by 18.9% to 1,027,954 TEUs from 864,568 TEUs a year ago. Average utilisation rate of 96.4% was achieved, versus 96.0% for the same period of last year. Continuous efforts of Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Win Hanverky Terminal") to explore new business opportunities resulted in a 15.8% increase in throughput to 180,329 TEUs and an increase of 17.7% in turnover to US$6,042,000. On container handling and storage operation, overall business turnover recorded a 7.3% decrease to US$3,476,000 from a year ago.

Cost of sales, comprising mainly depreciation, depot expenses, maintenance and operating expenses, rose by 4.4% to US$58,937,000 in the first half of the year. Depreciation increased by 10.5% to US$53,717,000 and accounted for 91.1% of cost of sales (same period of 2004: 86.1%). High utilisation rate was maintained on the containers during the period, resulting in a decrease in operation cost of containers by 64.5% to US$1,363,000.

Other revenues amounted to US$23,177,000, a decrease of 11.1%. During the period, 14,833 TEUs of containers as returned from COSCO Container Lines Company Limited ("COSCON") upon expiry of leases were sold, generating US$12,148,000 in revenue. A year-to-year decrease of US$4,824,000 was recorded. Yantian International Container Terminals Ltd. ("Yantian International Terminals") declared an interim dividend of US$7,480,000 for the first half of 2005 (same period of 2004: US$7,461,000). An additional 2004 dividend of US$511,000 was received from Shekou Terminals before it was sold. Interest income during the period increased by 69.0% to US$2,058,000.

Administrative expenses increased by 8.0% from a year ago to US$15,131,000. During the period, human resources and travelling expenses of the Group increased while professional fees and depreciation had a reduction.

Other net operating expenses in the first half of the year amounted to US$10,456,000 (same period of 2004: US$18,672,000). The carrying value of the returned containers sold amounted to US$9,271,000 (same period of 2004: US$17,678,000) and the direct cost associated with these returned containers was US$284,000 (same period of 2004: US$2,047,000). As the prices of old containers have sustained at relatively higher levels, no provision for impairment losses was required.

During the period, the disposal of an available-for-sale financial asset, 17.5% equity interest in Shekou Terminals, generated a profit of US$61,875,000.

Finance costs increased by 12.5% to US$11,213,000. Cost of borrowing gradually increased as interest rate entered into a rising cycle since 2004. The Group's average borrowing for the first half of the year amounted to US$660,054,000 (same period of 2004: US$581,852,000). The Group's average cost of borrowing (including amortisation of transaction costs on bank loans and notes and changes in fair values of interest rate swap contracts) was 3.40% (same period of 2004: 3.32%).

Net profit contribution from jointly controlled entities amounted to US$42,177,000, an increase of 34.2%. Efforts of COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT") in exploring new business opportunities resulted in a 17.3% increase in throughput to 942,488 TEUs in the first half, while net profit contribution grew 1.2% to US$15,024,000 due to changes in cargo mix. Throughput of Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal'') increased by 22.2% to 2,616,018 TEUs in the first half. Throughput of COSCO-PSA Terminal Private Limited ("COSCO-PSA Terminal") increased by 13.0% to 309,821 TEUs in the first half. Throughput of Yangzhou Yuanyang International Ports Co. Ltd. ("Yangzhou Yuanyang International Ports'') increased by 94.9% to 73,740 TEUs in the first half. Throughput of Yingkou Container Terminals Company Limited ("Yingkou Terminals"), which was acquired last year, increased by 112.7% to 288,961 TEUs in the first half. The above terminals all contributed a remarkable net profit. Net profit contribution from Shanghai CIMC Far East Container Co., Ltd. and Tianjin CIMC North Ocean Container Co., Ltd. increased significantly from last year, while Shanghai CIMC Reefer Containers Co., Ltd. recorded a drop in profit due to keen competition in the market. The Group's share of net profit from COSCO Logistics Co., Ltd. ("COSCO Logistics") increased by 22.3% to US$7,628,000 in the first half of 2005.

Net profit contribution from associates amounted to US$53,300,000, registering a significant increase of 326.1%. CIMC, which became an associate of the Group at the end of last year, made a profit contribution of US$40,236,000 in the first half of the year (same period of 2004: N/A). Throughput of Shanghai Container Terminals Limited ("Shanghai Terminals'') dropped 3.4% while net profit contribution decreased by 10.9% to US$3,814,000. Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong International Terminals"), achieved a 12.2% increase in throughput in the first half of the year and reported an increase of 33.9% in net profit contribution to US$5,335,000. Antwerp Gateway NV ("Antwerp Terminal") as acquired at the end of last year was still under construction. Liu Chong Hing Bank Limited ("Liu Chong Hing Bank") contributed net profit of US$4,893,000 during the period (same period of 2004: US$4,244,000).

Aggregate tax charge rose by 65.6% to US$10,457,000, mainly due to increase in provision for deferred tax arising from the increase in profits from the container leasing business.

FINANCIAL POSITION

Cashflow

Cash inflows of the Group remained stable. During the period, net cash from operating activities amounted to US$128,557,000 (same period of 2004: US$130,403,000). The Group drew bank loans of US$77,650,000 and repaid US$72,286,000 during the first half of the year. During the period, major capital investments of the Group involved US$3,142,000 in Antwerp Terminal, US$12,081,000 in Qingdao Qianwan Terminal and US$5,800,000 in Dalian Automobile Terminal Co., Ltd. ("Dalian Automobile Terminal"). Over the same period last year, major investments comprised: acquisition of 49% equity interest in COSCO Logistics involving cash outflow of US$142,179,000; investment in Qingdao Qianwan Terminal, Yangzhou Yuanyang International Ports and Dalian Automobile Terminal, involving cash outflows of US$61,170,000, US$11,126,000 and US$2,896,000, respectively. In addition to terminal investments, US$161,520,000 (same period of 2004: US$109,568,000) was paid during the period for purchase of new containers.

Financing and Credit Facilities

In July 2005, a subsidiary of the Group obtained a loan facility of US$300,000,000 from thirteen banks on a club deal basis for a term of six years at a cost equivalent to London Interbank Offered Rate ("LIBOR'') plus 50 basis points. Of this amount, US$180,000,000 will be used to finance the purchase of new containers and for working capital and US$120,000,000 for re-financing purpose. The loan agreement was signed on 14th July 2005. Such loan, along with other favourable terms, will not only reduce the Group's interest expenses but also optimise its debt structure as well.

As at 30th June 2005, cash balances and banking facilities available but unused amounted to US$132,661,000 and US$269,908,000 respectively (31st December 2004: US$100,578,000 and US$291,108,000 respectively). Coupled with the US$180,000,000 facility as mentioned above, available cash and credit facilities amounted to US$582,569,000 in total.

Antwerp Terminal, an associate of the Group, raised funds through project financing during the period to finance part of the construction costs of the terminal project. The loan facility amounted to Euro 143,400,000 for a term of eleven years. The loan agreement was signed in March 2005.

Assets and Liabilities

As at 30th June 2005, the Group's total assets amounted to US$2,737,777,000 (31st December 2004: US$2,243,072,000, as restated), and total liabilities amounted to US$889,549,000 (31st December 2004: US$757,444,000, as restated). Net assets amounted to US$1,848,228,000 (31st December 2004: US$1,485,628,000, as restated) and net asset value per share attributable to the equity holders of the Company was HK$6.55, representing a 23.5% increase from the end of last year.

The Group's cash balances as at 30th June 2005 amounted to US$132,661,000 (31st December 2004: US$100,578,000). Total outstanding borrowings amounted to US$655,160,000 (31st December 2004: US$653,323,000), with a net debt-to-equity ratio of 28.3% (31st December 2004: 37.2%). Interest coverage was 21 times, versus 11 times a year ago.

Certain fixed assets of the Group with net book value of US$319,166,000 (31st December 2004: US$331,647,000) and bank deposits of US$11,112,000 (31st December 2004: US$11,297,000) were pledged to banks and financial institutions as security against borrowings totalling US$159,197,000 (31st December 2004: US$176,392,000), representing 22.1% of our total fixed assets (31st December 2004: 26.8%).

Debt analysis

	As at 30th June 2005 US$	%	As at 31st December 2004 US$	%
By repayment term:				
Within the first year	**62,011,000**	**9.5**	38,178,000	5.9
Within the second year	**52,848,000**	**8.1**	44,046,000	6.7
Within the third year	**226,749,000**	**34.6**	58,609,000	9.0
Within the fourth year	**8,961,000**	**1.4**	202,087,000	30.9
Within the fifth year and beyond	**304,591,000**	**46.4**	310,403,000	47.5
	655,160,000*	**100.0**	653,323,000**	100.0
By type of borrowings:				
Secured borrowings	**159,197,000**	**24.3**	176,392,000	27.0
Unsecured borrowings	**495,963,000**	**75.7**	476,931,000	73.0
	655,160,000*	**100.0**	653,323,000**	100.0
By denomination of borrowings:				
US Dollar	**650,182,000**	**99.2**	649,795,000	99.5
RMB	**4,978,000**	**0.8**	3,528,000	0.5
	655,160,000*	**100.0**	653,323,000**	100.0

* *net of discount on notes and unamortised transaction costs on borrowings and notes.*

** *net of discount on notes only.*

Contingent liabilities

As at 30th June 2005, the Group provided guarantees on a loan facility granted to an associate of US$14,530,000 (31st December 2004: US$ Nil).

Foreign Exchange and Interest Rate Risks Management

The Group's functional currency is US dollar and most of its borrowings are denominated in US dollars, a majority of which are used for the container leasing operation that has revenues generated and expenses incurred mainly denominated in US dollars. Accordingly, exposure to exchange rate risk is minimal.

In respect of the financing activities of jointly controlled entities and associates, such as COSCO-HIT, COSCO-PSA Terminal and Antwerp Terminal, all material borrowings were denominated in the corresponding local currencies, with corresponding hedging being effected.

The Group continued to exercise stringent control over the use of financial derivatives for hedging against its interest rate risks. As at 30th June 2005 and 31st December 2004, outstanding interest rate swap contracts comprised:

- Notional principals of contracts amounted to US$100,000,000 in total at fixed interest rates ranging from 3.88% to 4.90% per annum payable by the Group.
- Notional principals of contracts amounted to US$200,000,000 in total at floating interest rates ranging 6-month LIBOR plus 105 basis points to 116 basis points payable by the Group.

As at 30th June 2005, through interest rate swap contracts and fixed rate borrowing arrangements, the Group's ratio of fixed-rate to floating-rate borrowings stood at 31.1% : 68.9% (31st December 2004: 31.0% : 69.0%). The Group monitored and adjusted its debt portfolio of fixed and floating interests from time to time to reduce interest rate risk.

REVIEW OF OPERATIONS

Container Leasing

Benefiting from the growth in PRC trade and the containerisation trend in the transportation industry, the Group achieved satisfactory results in the container leasing operation. As at 30th June 2005, Florens Container Holdings Limited, a wholly owned subsidiary of the Company, and its subsidiaries (collectively referred to as "Florens") owned and operated a container fleet of 1,027,954 TEUs (same period of 2004: 864,568 TEUs), surpassing 1 million TEUs for the first time while recording an increase of 18.9% from a year ago. Florens further escalated its ranking as the fourth largest marine container leasing company (same period of 2004: fifth) with approximately 10.4% share of the global market (same period of 2004: approximately 9.9%). Average age of the Group's container fleet was 4.28 years (same period of 2004: 4.36 years).

Further effort made in expanding market reach

Florens further increased its momentum to penetrate the market while solidifying customer relations. To cope with the increasing demand, Florens purchased 131,838 TEUs of new containers (same period of 2004: 90,372 TEUs).

While acquiring new containers, Florens also sold 14,833 TEUs (same period of 2004: 28,247 TEUs) of containers returned from COSCON upon expiry of the leases ("Returned Containers"), including those being received before 2005.

Container fleet movement

	2005	2004
	(TEUs)	*(TEUs)*
Total containers (as at 1st January)	**919,128**	808,825
New containers purchased	**131,838**	90,372
Containers returned from COSCON upon expiry of leases		
– Total	**(15,613)**	(31,820)
– Re-leased	**148**	2,102
– Disposed of and pending for disposal	**(15,465)**	(29,718)
Ownership transferred to customers upon expiry of finance leases	**(341)**	(302)
Defective containers written off	–	(210)
Total loss of containers declared and compensated by customers	**(7,206)**	(4,399)
Total containers as at 30th June	**1,027,954***	864,568*

* *including 23,614 TEUs of containers managed on behalf of a third party (same period of 2004: 16,665 TEUs)*

Customer base expansion

Besides providing 10-year container leases to COSCON, the world's seventh largest container ship operator (according to "The Journal of Commerce" dated 27th June 2005), the Group also provided short and long term leases to other international customers ("International Customers"). These International Customers included major global shipping companies. For the six months ended 30th June 2005, the top 20 International Customers accounted for approximately 71.8% (same period of 2004: 75.7%) of the Group's total container rental income from International Customers. The total number of customers reached 233 (same period of 2004: 198).

As at 30th June 2005, the Group leased a total of 362,635 TEUs to COSCON, representing 35.3% of the entire container fleet. Containers available to International Customers totalled 665,319 TEUs, representing 64.7% of the total containers.

Container fleet analysis

	30th June 2005		31st December 2004		30th June 2004	
	COSCON	**International Customers**	COSCON	International Customers	COSCON	International Customers
Total containers (in TEUs)	**362,635**	**665,319**	327,845	591,283	304,088	560,480
– Dry containers	**92.5%**	**96.6%**	92.0%	96.3%	91.7%	96.0%
– Reefers	**7.1%**	**1.9%**	7.4%	2.1%	7.7%	2.2%
– Specials	**0.4%**	**1.5%**	0.6%	1.6%	0.6%	1.8%

Utilisation rates beating industry average

While containers dedicated to COSCON remained 100% utilised during the period, the overall average utilisation rate of the Group was 96.4% (same period of 2004: 96.0%), well above the industry average of approximately 92.0% (same period of 2004: approximately 91.6%).

Handling of returned containers

During the period, a total of 15,613 TEUs (same period of 2004: 31,820 TEUs) of 10-year containers were returned from COSCON, of which 6,937 TEUs and 8,676 TEUs represented units to be returned on or before 2004 and 2005, respectively. The Group disposed of 14,833 TEUs (same period of 2004: 28,247 TEUs) of Returned Containers with a net profit on disposal of US$2,593,000 (same period of 2004: net loss of US$2,753,000).

Container Terminal and Related Operations

During the period, the Group further enhanced its management capability while achieving higher operational efficiency. As a result, terminal throughput and net profit had a remarkable performance.

Strong growth in throughput of container terminals

Boosted by the growth of the PRC economy, the Group's container terminal business recorded a good growth. As at 30th June 2005, the 11 operating container terminals in which the Group has an interest handled a total of 12,129,340 TEUs during the period, a 17.5% increase from last year.

Throughput of container terminals	**1H 2005** *(TEUs)*	**1H 2004** *(TEUs)*	**Changes over the corresponding period**
Pearl River Delta*	**4,256,763**	**3,571,953**	**+19.2%**
COSCO-HIT	942,488	803,338	+17.3%
Yantian International Terminals Phase I, II and III	3,314,275	2,768,615	+19.7%
Yangtze River Delta	**3,187,756**	**3,051,992**	**+4.4%**
Shanghai Terminals	1,700,115	1,759,440	–3.4%
Shanghai Pudong International Terminals	1,233,572	1,098,955	+12.2%
Zhangjiagang Win Hanverky Terminal	180,329	155,753	+15.8%
Yangzhou Yuanyang International Ports	73,740	37,844	+94.9%
Bohai Rim	**4,375,000**	**3,425,765**	**+27.7%**
Qingdao Qianwan Terminal	2,616,018	2,141,078	+22.2%
Qingdao Cosport Terminals	265,206	179,673	+47.6%
Dalian Port Container Co., Ltd.	1,204,815	969,191	+24.3%
Yingkou Terminals	288,961	135,823	+112.7%
Overseas region	**309,821**	**274,265**	**+13.0%**
COSCO-PSA Terminal	309,821	274,265	+13.0%
Total throughput	**12,129,340**	**10,323,975**	**+17.5%**
Throughput of terminals in China mainland	**10,877,031**	**9,246,372**	**+17.6%**

* *Shekou Terminals of which the Group had an interest, was disposed of on 23rd March 2005.*

Expansion of terminal business, further enhancing its position as a leading terminal operator

The Group entered into a joint venture contract on 28th May 2005 for the establishment of Nanjing Port Longtan Container Co., Ltd ("Nanjing Longtan Terminal") in which the Group owns a 20% interest. Nanjing Longtan will operate Nanjing Longtan Container Terminal Phase I, which has a total of five berths with a quay length of 910 metres long and a depth alongside of 12 metres. Total area of the terminal is 930,000 square metres with an annual handling capacity of 1,000,000 TEUs. The terminal commenced operation on 26th August 2005.

On 16th April 2005, the Group entered into a joint venture heads of agreement with Guangzhou Port Group Co., Ltd. to form a joint venture company regarding the construction and operation of the Guangzhou Nansha Container Terminal Phase II. The Group will have an initial interest of 56% in the joint venture company. Six berths will be constructed at Nansha Container Terminal Phase II (the first two berths will be completed and operational in the second half of 2006 and the remaining four will be completed and operational in 2007). The terminal will have a quay length of 2,100 metres and a depth alongside of 17 metres. Total area of the terminal will be 2,320,000 square metres with an annual handling capacity of 4,200,000 TEUs.

Meanwhile, to capitalise on the strategic advantange of the Pearl River Delta Terminals and the opportunity to restructure the investment portfolio, the Group entered into an agreement with China Merchants Holdings (International) Company Limited on 23rd March 2005 for the disposal of its 17.5% equity interest in Shekou Terminals for a consideration of approximately HK$610,000,000. Gain on disposal of US$61,875,000 which has been booked in the first half of the year.

With all these new business developments and acquisitions in terminal operations, the Group held a total of 19 terminals as of 30th June 2005. These 19 terminals are strategically located in Pearl River Delta, Yangtze River Delta, Bohai Rim and major overseas locations. Total 81 berths including 76 berths for containers, 2 berths for automobile, 3 berths for multipurpose. The expected handling capacity will be increased to 40,400,000 TEUs.

Container Terminals

	Shareholding	Total area *(square metres)*	No. of berths	Depth alongside *(metres)*	Annual handling capacity *(TEUs)*
PEARL RIVER DELTA			**17**		**14,100,000**
COSCO-HIT	50%	292,360	2	15.5	1,800,000
Yantian International Terminal (Phase I, II)	5%	1,180,000	5	14.0-15.5	4,500,000
Yantian International Terminal (Phase III)	4.45%	900,000	4	16	3,600,000
Guangzhou Nansha Container Terminal Phase II *(Note 1)*	56%	2,320,000	6	17	4,200,000
YANGTZE RIVER DELTA			**25**		**8,200,000**
Shanghai Terminals	10%	830,000	10	9.4-10.5	3,700,000
Shanghai Pudong International Terminals	20%	500,000	3	12	2,300,000
Zhangjiagang Win Hanverky Terminal	51%	251,000	2	10	500,000
Yangzhou Yuanyang International Ports	55.59%	350,000	4	11	500,000 4,700,000 tonnes bulk cargoes
Zhenijang Jinyuan Terminals *(Note 1)*	25%	105,000	1	13	200,000
Nanjing Longtan Terminal *(Note 1)*	20%	930,000	5	12	1,000,000
BOHAI RIM			**31**		**13,600,000**
Qingdao Qianwan Terminal	20%	2,250,000	11	17.5	6,500,000
Qingdao Cosport Terminals	50%	186,800	1	13.5	600,000
Dalian Port Container Co., Ltd. *(Note 2)*	8%	710,000	9	8.9-14.0	3,000,000
Dalian Automobile Terminal	30%	540,000	2	11	600,000 vehicles
Dalian Port Terminal	20%	250,000	2	13.9	1,000,000
Tianjin Five Continents International Terminal *(Note 1)*	14%	516,000	4	15.7	1,500,000
Yingkou Terminals	50%	426,000	2	14	1,000,000
OVERSEAS			**8**		**4,500,000**
COSCO-PSA Terminal	49%	228,000	2	15	1,000,000
Antwerp Terminal *(Note 3)*	20%	1,263,000	6	17	3,500,000
Total number of berths in container terminal			**76**		**40,400,000**
Number of berths in the automobile terminal			**2**		**600,000 vehicles**
Number of berths in the multipurpose terminal			**3**		**4,700,000 tonnes bulk cargoes**

Note 1: Joint Venture Contracts or Joint Venture Heads of Agreements signed and capital injection has not been made as at 30th June 2005.

Note 2 : Not include Dalian Port Terminal.

Note 3 : After the disposal of 5% equity interest in Antwerp Terminal to a third party in July 2005.

Latest Development of the Container Terminal Project

The Group signed a letter of intent with Ningbo Port Group Ltd. and Tianjin Port Group Ltd. respectively in the first half of 2005, to engage in the development and operations of container terminals in Jintang Island of Ningbo and Tianjin North Port Basin.

Dalian Port Terminal, in which the Group has a 20% interest, commenced operation on 8th July 2005. In addition, pursuant to the Share Purchase Agreement entered into between the Group and P&O Ports Europe NV on 16th November 2004, in order to introduce an additional partner with liner carrier background to bring more volume to the terminal, the Group sold 5% of its equity interest to CMA CGM Group. The Group has accordingly reduced the shareholding percentage in Antwerp Terminal from 25% to 20% on 5th July 2005. Antwerp Terminal was opened on 6th July 2005 and will commence operations in the middle of September 2005.

Container Handling and Storage

During the period, Plangreat Limited, a wholly owned subsidiary of the Group, and its subsidiaries, engaged in container stevedoring, storage, repairs and drayage services, registered a turnover of US$3,476,000 (same period of 2004: US$3,748,000). The decline in turnover was attributed to a rise in container terminal transshipment which led to a decrease in container service market.

Logistics Operation

COSCO Logistics continued to step up its efforts to expand its market share through achieving business expansion in 2005 in several sectors: household appliances, automobiles, electricity and petrol chemicals.

In relation to the shipping agency business, 16 routes were newly added while agency agreements were entered with four shipping companies. On the freight forwarding business, the Group entered into cooperation agreements with two companies, while an agency framework agreement was reached with another company.

The shipping agency business handled 63,380 vessels during the period (same period of 2004: 62,961 vessels), while maintaining its leadership position with a 49.1% share of the PRC market, up 0.67% from a year ago (same period of 2004: 50.6%). The freight forwarding arm handled 197,195,600 tonnes of cargoes during the period (same period of 2004: 186,695,300 tonnes), achieving a 5.6% increase from last year. The sea-freight forwarding agency business also recorded a growth in its marine freight forwarding business; volume increased by 19.6% to 771,620 TEUs (same period of 2004: 645,337 TEUs).

Furthermore, COSCO Logistics' branding position in the market was affirmed by the shipping industry media. At the "4th China Logistics Business Award" Conference, COSCO Logistics received 12 gold awards, 4 silver awards and 1 bronze award, from the conference sponsors, which included amongst others, "China Freight Weekly", "Logistics Era" and "China Freight Trade Net".

Container Manufacturing

The Group acquired an equity interest of approximately 16.23% in CIMC at the end of last year. CIMC made its maiden contribution in the first half of the year, bringing profit of US$40,236,000 to the Group.

In addition, Shanghai CIMC Reefer Container Co., Ltd., Shanghai CIMC Far East Container Co., Ltd. and Tianjin CIMC North Ocean Container Co., Ltd. also provided the Group with profit contributions for the period.

Container manufacturing factories	**Shareholding**	**1H 2005 Production volume** *(TEUs)*	**1H 2004 Production volume** *(TEUs)*	**+/-**
Shanghai CIMC Reefer Containers Co., Ltd.	20.0%	23,422	19,149	+22.3%
Shanghai CIMC Far East Container Co., Ltd.	20.0%	57,879	62,028	–6.7%
Tianjin CIMC North Ocean Container Co., Ltd.	22.5%	72,173	62,041	+16.3%

Other Business

Liu Chong Hing Bank, in which the Group held a 20% interest, made a net profit contribution of US$4,893,000, up 15.3% from last year.

EMPLOYEES AND REMUNERATION POLICIES

The Group considers the building of an effective staff team as the best assurance for the corporation to achieve a rapid, solid and yet healthy growth. To cope with the business development needs of all the businesses – container leasing, container terminal, logistics and container manufacturing, the Group has been dedicating significant efforts to attracting, recruiting, and developing management talents.

Continuous improvements are made on remuneration policy and incentive schemes, which are based on the principles of fairness. Approved by the board of directors, the Remuneration and Assessment Committee and the Nomination Committee were established to facilitate the implementation of an advanced human resource management philosophy. Besides basic salary and bonus, the Company also uses share options as incentives to motivate employees to make significant contributions as a team to help the Group achieve the required growth and the corporate mission of "Satisfying Customers While Creating Shareholders' Wealth".

As at 30th June 2005, there were 431 employees in the Group. Total staff cost for the Group for the first half of the year, including directors' remuneration, amounted to US$9,434,000 (same period of 2004: US$7,947,000).

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests. The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30th June 2005, except for the following deviations:

Code provision A.4.2 (the last sentence)

The code provision A.4.2 of the Code (the last sentence) provides that, every director (including directors with specific terms) should be subject to retirement by rotation at least once every three years. According to Bye-law 87(1) of the Bye-laws of the Company then in effect before 20th May 2005, at each annual general meeting, one-third (if the number of Directors is not a multiple of three then the number nearest to three) of the directors for the time being shall retire from office by rotation provided that notwithstanding anything therein, the Chairman of the Board and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

The Bye-laws of the Company constitutes a deviation from the code provision A.4.2 of the Code. To comply with the code provision A.4.2 of the Code, amendments to Bye-law 87(1) of the Bye-laws of the Company was proposed and approved by the shareholders at the annual general meeting of the Company held on 20th May 2005.

Code provision E.1.2

The code provision E.1.2 of the Code provides that the Chairman of the Board shall attend the annual general meeting of the Company. Due to unexpected business commitment, Mr. WEI Jiafu, the Chairman of the Board who resides in Beijing, was unable to attend the annual general meeting of the Company held on 20th May 2005 in Hong Kong. This constitutes a deviation from the code provision E.1.2 of the Code.

AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive directors of the Company and its terms of reference have been modified to incorporate certain provisions set out in the Code. The Audit Committee has reviewed, in the presence of the internal and external auditors, the Group's principal accounting policies and the unaudited Condensed Financial Statements for the six months ended 30th June 2005.

OTHER BOARD COMMITTEES

On top of the Audit Committee, the Board has also established various committees which include Executive Committee, Investment and Strategic Planning Committee, Corporate Governance Committee, Risk Management Committee, Nomination Committee and Remuneration and Assessment Committee. Among them, the Nomination Committee and Remuneration and Assessment Committee comprise a majority of independent non-executive directors. Each committee has its defined scope of duties and terms of reference.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June 2005.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its listed shares during the six months ended 30th June 2005. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the six months ended 30th June 2005.

INVESTOR RELATIONS

The Group has long been putting emphasis on investor relations. Through regular interaction with the investors, the Group achieves the objective of bringing the investors fully updated on matters that relate to the Group, such as management philosophy, operating conditions, and corporate strategy. The Group also believes in the value of maintaining both high transparency on corporate matters and high standards on corporate governance, while striving to create shareholders' value.

During the first half of the year, the meetings we had with the investors and relevant parties had a total attendance of 171, up 14.8% from the same period last year. By category, those who attended were fund managers (34.5%); analysts (16.4%); bankers (22.8%), and from sectors such as securities (15.8%), media (2.9%) and others (7.6%). In addition, 11 roadshows and investor forums were conducted with a total attendance of 641, up 102.8% from the same period last year.

We also arranged various visits for the investors to visit our terminals and logistics facilities, enabling them to develop a deeper understanding of our core business and the operating environment.

In addition, the Company also releases information via website and emails alerts to the financial market regularly on key events and operational performance data about the Group.

During the period, the Group achieved very good recognition in investor relations. This was demonstrated by the Group being included in many of the important indices in connection with the capital market, and the many awards which the Group has received from the community of institutional investors.

- In January 2005, rated one of the Top 30 Stock Picks in 2005 by Standard & Poor's.
- In March 2005, rated as "Listed Enterprise with the Best Investor Relations" by the Institutional Investor Research Group.
- In April 2005, selected as one of the 2000 Top Enterprises in 2005 by Forbes in the US.
- In April 2005, received the Honourable Mention in the Top Chinese Enterprises with the Best Dividend Policy by FinanceAsia, for the second year in a row.

CORPORATE CULTURE

While aggressively expanding the business, the Group also places significant emphasis on building a successful corporate culture. This includes creating an environment where teamwork is promoted, with employees having the opportunity to develop themselves as individuals, to excel in their job and to realise their potentials. The Group also encourages employees to pursue life-time learning to continuously expand their horizon, so as to raise their management and professional expertise.

"Satisfying Customers While Creating Shareholders' Wealth" has become a common corporate goal for all the Group's employees. The Group will continue to cultivate the corporate core values centered around: Integrity; Nurturing; Innovation; Communication; Understanding; Management; Conduct; Service. Through these core values, the Group's employees will engrain in their work the successful culture required to achieve the mission of "Maximising Corporate Efficiency, While Maximising Shareholders' Return".

PROSPECTS

The global economy will continue to grow in the second half of this year. The appreciation of Reminbi has created an environment for improvement in the world trade and the functioning of China's economy. Although oil price remains high, it has been stabling off. The Sino-US trade dispute has become clear and eased, and China's export will continue to grow at high speed. These environments will all benefit our Company's business.

Within the Group, the container leasing business continued to increase its competitive strengths, with over 1 million TEUs currently in the container fleet, and capacity utilisation continue to be ahead of the market. The market will continue to sustain a moderate growth in the second half, providing the Group with good business opportunities.

The thriving shipping market has continued to boost a substantial increase in the global demand for more ports. With the Group's investment presence in many major ports in the world, such as the PRC, Hong Kong, Asia, and Europe, the Group is well-positioned to take advantage of the growth in throughput in the second half of the year. Coupled with the Group's plan to capture new opportunities in terminal operation, the Group will further increase its market share and overall competitive strengths.

COSCO Logistics will consolidate its advantageous position in the shipping and freight forwarding sector, and develop itself into a leading logistics company with modern logistics backbone.

The container manufacturing division has achieved an excellent result in the first half of the year. With foreign trade in the PRC maintaining a high growth, the division is well-positioned as a market leader to further penetrate the market and increase its competitive strengths.

In conclusion, 2005 should be another year of sustained growth for the global economy. Capitalising on its established business strengths, the Group will continue to take an aggressive approach to enhance profitability through expanding its market share in container leasing; terminal operations; logistics, and container manufacturing. Every opportunity will be seized to broaden the income stream, raise operational efficiency, and increase contributions to earnings.

MEMBERS OF THE BOARD

As at the date hereof, the Board comprises 14 directors, namely Mr. Mr. WEI Jiafu[2] (Chairman), Mr. CHEN Hongsheng[1], Mr. LI Jianhong[1], Ms. SUN Yueying[1], Mr. SUN Jiakang[1] (Vice Chairman & Managing Director), Mr. XU Lirong[2], Mr. WONG Tin Yau, Kelvin[1], Mr. WANG Zhi[1], Mr. QIN Fuyan[1], Dr. LI Kwok Po, David[3], Mr. LIU Lit Man[3], Mr. CHOW Kwong Fai, Edward[3], Mr. Timothy George FRESHWATER[3] and Mr. KWONG Che Keung, Gordon[2].

[1] *Executive Director*
[2] *Non-executive Director*
[3] *Independent Non-executive Director*

By Order of the Board
SUN Jiakang
Vice Chairman & Managing Director

Hong Kong, 8th September 2005

Please also refer to the published version of this announcement in The Standard.